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Better Marketing



Division of Marketing and Marketing Agreements

• • AGRICULTURAL • ADJUSTMENT • ADMINISTRATION • •

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NEW OUTLETS FOR SURPLUS EGGS BEING SOUGHT THROUGH RESEARCH PROGRAM NOW IN OPERATION

A research project designed to determine the possibility of developing new outlets for domestic eggs has been inaugurated by the Agricultural Adjustment Administration. The work is being conducted by the Poultry Section of the Division of Marketing and Marketing Agreements.

It is pointed out that during the 4 spring months of March, April, May, and June approximately 50 percent of the annual production of eggs is produced. As a consequence, during that period of the year there is a very considerable surplus of eggs above immediate domestic consumption requirements. This surplus is carried into deficit periods by two methods, namely, cold storage of shell eggs and breaking the eggs out of the shell and putting them into cans and carrying in cold storage in a frozen condition until needed by the trade using that product.

At the present time these are practically the only possible outlets other than fresh shell eggs. Large cold-storage holdings of eggs in some years result in losses and the development of a sentiment for low prices the next year. This, in turn, has an effect upon the cycles of production. It is believed that if other outlets are made available for eggs, more stable conditions in the industry may result with considerable benefits to producers, consumers, and to the handlers of eggs.

New Uses Sought

The research project is concerned with exploring the possible avenues to which eggs may be diverted. One very possible and known additional outlet is in the drying field, producing dried whole eggs, dried albumen, and dried yolks. Prior to 1916 there was some egg drying in this country. Since that date there have been some attempts to dry eggs by domestic firms. However, the attempts in this country have been only sporadic in nature.

Through the project efforts will be made to find the reason why the drying industry has not been able to establish itself in this country. Some of the questions which it is proposed to find answers for are as follows: Is it feasible, under the Agricultural Adjustment Administration, to encourage the diversion of eggs into dried eggs; what quantities should be diverted and at what period of the year in order to favorably affect producers' prices; would such a program aid in the permanent establishment of a dried-egg industry in this country; how should a program, if economically justified, be developed?

In attempting to answer these questions a study of the world trade in dried eggs will be necessary. The uses of dried-egg products will be given considerable attention, since it will be necessary to know those uses which cannot be substituted for by shell or frozen eggs, the uses for which dried eggs can be substituted for shell or frozen, and the possibility of new uses. The relationship between fresh shell eggs, cold-stored shell eggs, and frozen-egg branches of the industry are to be analyzed. The trends in foreign and domestic efforts to produce dried eggs, costs of production of dried eggs, desirable months for egg drying, methods of egg drying, capacities of plants in this country, and other pertinent factors are to be studied. The effect which diverting various quantities of eggs would have on producers' and consumers' prices and prices of other egg products also will be analyzed.

Hearing Considered Amendments To Walnut Marketing Program

Proposed amendments to the marketing agreement and order for handlers of walnuts grown in California, Oregon, and Washington were considered at a public hearing June 24, at Berkeley, Calif. The amendments were proposed by the Walnut Control Board, composed of representatives of the industry administering the agreement.

One suggested change affects the sale of surplus walnuts. At present the program provides that individual packers may either turn their surplus walnuts over to the Control Board, or may sell the surplus themselves and pay to the Control Board cash equal to the credit value of the walnuts sold. The amended program would require that surplus obligations be met only by the delivery of walnuts.

A second proposed amendment relates to the bond provisions for any packer who elects to defer delivery of surplus walnuts to the Control Board. This amendment provides for collection of liquidated damages from a packer who files a bond but fails to meet his obligation.

Another proposed change concerns the manner of determining in any year the salable percentage to be applied to the carry-over and to the crop of the succeeding crop year.

The proposed amendments also add sack specifications for baby-grade walnuts and a variety-tolerance provision for California walnuts.

BANG'S DISEASE PROGRAM RIDS 800,000 REACTORS

More Than Five Million Cattle Under Supervision in Nation-wide Testing for Disease

The cooperative Federal-State program for the elimination of Bang's disease has been in progress for 23 months. There were under supervision on June 1, 1936, 5,543,169 cattle, and there have been applied 9,410,633 tests, with over 800,000 reactors slaughtered. The infection has declined during this period from 14.9 percent to approximately 5.75 percent. This decline in infection is due largely to the fact that an increased number of cattle are being tested under the area plan and there are many retests reported each month.

During the fiscal year 1934-35 there were 212,482 herds tested, in which 3,317,760 tests had been applied and 381,010 reactors removed; the percentage of infection for the period, including retests, was 11.5. The total cost, including operating expenses and indemnity payments, was \$10,430,386.

In the fiscal year 1935-36, with May and June estimated, there will be approximately 346,000 herds tested, with 6,567,354 tests applied and 450,908 reactors removed, and a percentage of infection for the period of 6.9 percent. The total cost is estimated to be \$14,475,000.

There are sufficient Federal funds available to carry on this work for the fiscal year 1936-37.

Since the veterinary forces of the Bureau of Animal Industry will be released to a very large extent from area testing under the tuberculosis eradicating campaign (there were on June 1, 1936, only eight States which were not modified accredited for tuberculosis), and with ample funds available for expenditure in the Bang's disease program, it is expected that there will continue to be an increase in the work during the fiscal year 1936-37.

Tentatively Approved Celery Pact Withdrawn At Industry's Request

A tentatively approved marketing agreement for Florida celery has been withdrawn at the request of the Florida Central Celery Committee.

The Secretary of Agriculture, in a letter to J. B. Cogburn, acting secretary of the committee, said that no further action would be taken on the agreement by the Department of Agriculture. He added that the Department would be ready to cooperate at any future time if

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JESSE W. TAPP, *Director*

BETTER MARKETING is issued as a means of communicating to workers and cooperators of the Division of Marketing and Marketing Agreements information relative to the Division's activities under the Agricultural Adjustment Act and related Acts.

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AGRICULTURE

AGRICULTURAL ADJUSTMENT ADMINISTRATION
Washington, D. C.

NATHAN KOENIG, *Editor*, BETTER MARKETING

BUYING OF SURPLUSES SERVES DOUBLE PURPOSE

Purchase Programs Designed to Improve Returns to Farmers Also Provide Foodstuffs for Needy

Widespread distribution of millions of pounds of surplus farm products for relief use in connection with Agricultural Adjustment Administration programs to improve returns to producers of those types of agricultural commodities in which purchases were made is shown in a summary compiled by the Federal Surplus Commodities Corporation.

Established in October 1933 as the Federal Surplus Relief Corporation, the Federal Surplus Commodities Corporation is concerned with the utilization of price-depressing agricultural surpluses for relief distribution through accredited State and local agencies on such a basis as will not interfere with regular commercial purchases.

Distribution of surplus farm products for relief use has been made to each of the 48 States, Alaska, the District of Columbia, Puerto Rico, and the Virgin Islands. The commodities included meats, dairy products, fruits and vegetables, flour, and cereals.

Foodstuffs Distributed

The following is the list of surplus farm products distributed from October 4, 1933, to May 1, 1936, as shown by the Federal Surplus Commodity Corporation's summary:

Canned beef, 256,504,923 pounds; canned mutton, 21,250,722 pounds; salt pork, 97,213,441 pounds; smoked pork, 200,396,618 pounds; boneless beef, 12,728,506 pounds; fresh beef, 34,397,465 pounds; beef tongues, 2,777,374 pounds; boneless veal, 113,587 pounds; canned veal, 20,795,064 pounds; fresh veal, 85,655,258 pounds; veal tongues, 527,710 pounds; lard, 23,873,488 pounds; dried peas, 15,000,000 pounds; dried prunes, 33,243,000 pounds; dried apples, 885,500 pounds; fresh apples, 133,150,204 pounds; dried beans, 22,042,520 pounds; cabbage, 38,331,979 pounds; citrus fruits, 10,846,575 pounds; sweet potatoes, 885,000 pounds; white potatoes, 237,214,016 pounds; onions, 10,585,000 pounds; grape jam, 3,300,167 pounds; turnips, 1,056,000

pounds; canned sour cherries, 300,000 pounds; carrots, 2,880,000 pounds; butter, 76,767,014 pounds; cheese, 18,105,270 pounds; evaporated milk, 47,026,000 pounds; dry skim milk, 16,631,734 pounds; eggs, 504,000 dozens; flour, 213,209,151 pounds; rolled oats, 14,077,831 pounds; enriched oat cereal, 4,073,657 pounds; milk wheato, 20,292,600 pounds; rice, 50,369,986 pounds; sugar, 11,500,000 pounds; and sirup, 1,216,130 gallons.

The canned meats and meat products were obtained by the Corporation from the Agricultural Adjustment Administration's emergency cattle program conducted during the severe drought of 1934. In this program around 8 million head of cattle in drought-stricken areas were purchased by the Federal Government. These animals, which otherwise would have died of thirst or starvation, were salvaged and the meat processed. The bulk of this processed meat has already been disposed of in noncommercial channels and only small quantities remain available.

Program Aids Producers

Since the middle of November 1935, when the charter of the Corporation was amended to make certain changes, including a change in name, the Federal Surplus Commodities Corporation has distributed for relief use in the States large quantities of surplus agricultural commodities, which, if sold on commercial markets, would have seriously depressed prices. These commodities were made available in addition to, rather than in substitution for, other forms of direct relief available from welfare agencies. Through this program it has been possible, in a great many instances, to prevent waste of surplus farm products, improve returns to producers, and bring about an increase in domestic consumption through the diversion of the surpluses from normal channels of trade.

The following shows the wide range and quantity of surplus farm products distributed by the Corporation from November 16, 1935, to May 31, 1936: Apples, 2,954,587 bushels; dried beans, 15,126,210 pounds; dried peas, 14,990,880 pounds; citrus fruits, 160,537 boxes; dried prunes, 11,000,000 pounds; late onions, 6,760,000 pounds; early and intermediate onions, 23,136,500 pounds; cabbage, 7,800,000 pounds; carrots, 3,192,000 pounds; figs, 660,000 pounds; turnips, 182,300 pounds; cherries, 30,000 no. 10 cans; grape jam, 55,225 dozens no. 5 cans; grape jam, 3,845 dozens no. 3 cans; eggs, 1,212,000 dozens; butter, 3,339,200 pounds; dry skim milk, 1,832,076 pounds; evaporated milk, 234,400 cases of 48 tall cans; cheese, 502,049 pounds; canned beef, 101,465,838 pounds net contents; enriched oat cereal, 4,080,727 pounds; and rolled oats, 14,400,167 pounds.

Florida Citrus Marketing Plan Amendment Tentatively Approved

An amendment to the marketing agreement and order for handlers of citrus fruit grown in Florida has been tentatively approved by the Secretary of Agriculture. The modification is being submitted for consideration by the handlers and growers concerned.

MILK MARKETING PACT HEARING AT DUBUQUE

Agreement and Order Would Provide Program Similar to One Now in Effect Under License

A proposed marketing agreement and order for handlers of milk in the Dubuque, Iowa, marketing area will be considered at a public hearing to be held July 2 at the Dubuque County courthouse at Dubuque.

The program proposed under the agreement and order is similar to that which has been in effect in the Dubuque milk-marketing area since December 1934 under a license for milk distributors, with the exception that the license provides for a market-wide pool, while the proposed plan provides for individual handler pools for the distribution of returns to producers. Other provisions govern the classification of milk on a use basis and establishment of minimum prices which handlers would pay producers for their milk. The program would continue to be administered by a market administrator.

Under the proposed program, milk bought by handlers would be classified as follows:

Class 1 milk—all milk sold or distributed as milk.

Class 2 milk—all milk used to produce cream for consumption as cream.

Class 3 milk—all milk specifically accounted for (a) as sold, distributed, or disposed of other than as milk, or cream for consumption as cream; (b) as manufacturing loss; and (c) as general plant shrinkage within reasonable limits.

Each handler would be required to pay the following minimum prices for milk purchased from producers: For class 1 milk, not less than \$2 per hundredweight at the handler's plant; for class 2 milk, not less than \$1.42 per hundredweight at the handler's plant; for class 3 milk, not less than that price which is calculated by the market administrator by multiplying by 3.5 the average price per pound of 92-score butter at wholesale on the Chicago market for the delivery period during which the milk is bought, and adding 15 cents to the result.

Expenses in connection with the administration of the program would be paid by handlers on a pro-rata basis.

The amendment, suggested by the control committee in charge of administering the citrus marketing program and considered at a public hearing held May 26 at Lakeland, Fla., is designed to clarify the present authorization in the agreement and order for making revisions in allotment bases. Revisions for corrections of any allotment base may now be made only upon application in writing by an applicant, provided he presents evidence that his base is inaccurate or inequitable. The amendment would add an additional provision permitting the control committee, upon its own initiative, subject to the opportunity of the person affected to be heard, to correct any allotment base if the evidence reveals that the allotment base is inaccurate or inequitable.

HALT IN DOWN TREND UP TO APPLE INDUSTRY

Program Governing Quality and Quantity of Fruit Shipped to Market May Reverse Declining Trend

Apple growers in many sections of the country have been confronted with difficult marketing conditions and consequent low prices during recent years. With continued low returns, orchard operations have generally shown deficits, and this has resulted in substantial abandonment of orchards or reduction in tree numbers, according to the General Crops Section.

Prices received by apple growers have decreased relatively more than the prices paid farmers for commodities bought, interest on mortgages, and taxes. Moreover, while consumer income in the 1935 season (beginning July 1935 and ending June 1936) was about 76 percent of the 1924-29 average, the grower income from fresh apple sales was 57 percent of this average.

Apple production has been decreasing since 1915. While there was a relatively large crop in 1935, amounting to about 168 million bushels, the recent average of about 155 million bushels is approximately 26 million bushels below the 1922-26 average. At present there are approximately 96,000 trees in the United States, or less than one-half of the 1910 total.

Three Producing Regions

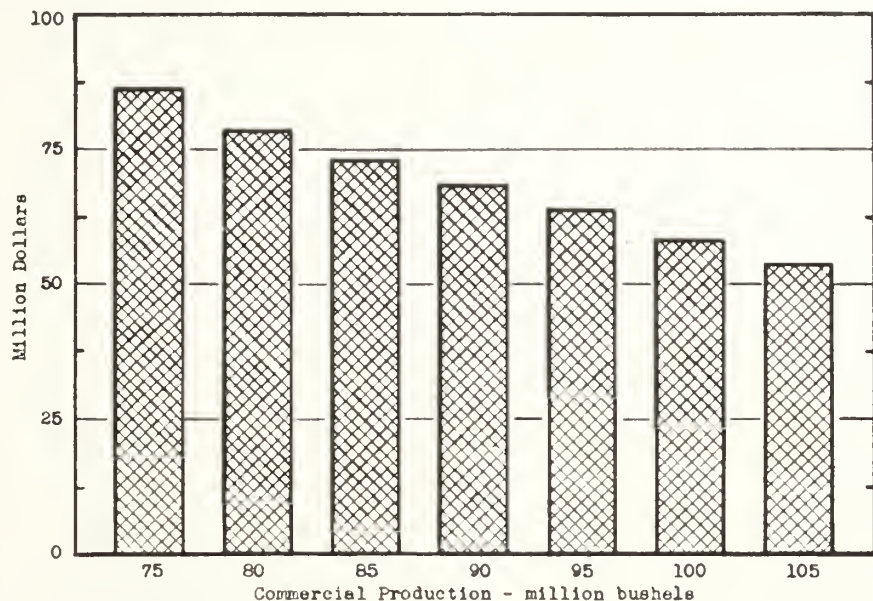
The apple-producing areas of the United States may be classified into three principal regions on the basis of geographic factors, special marketing problems, and distinct marketing practices commonly followed in each region. The eastern region, which includes the Atlantic Coast States, provides about 41 percent of the annual production. The western region, covering the Pacific and Mountain States, produces nearly 34 percent of the annual supply; and the central region accounts for about 25 percent of the production.

Though production changes are generally the same in both the eastern and central regions, wide fluctuations take place from year to year. Western production has not varied so much, owing principally to relatively better cultural and growing conditions. Since about 80 percent of the western domestic sales are made in the other two regions, and because packing and marketing charges are heavy, the western growers are frequently faced with difficult marketing problems. These growers seek profitable returns in a market where the prices they receive are greatly affected by large, average, or small commercial supplies in the competing areas.

Per Capita Consumption Off

Since 1919, of about 132,000,000 bushels of apples which have been sold or made available for sale annually, approximately 71 percent have been shipped for fresh sale, including about 12,000,000 bushels exported. Over 14,000,000 bushels have been used annually for canning and drying; and over 24,000,000 bushels, or nearly 19 percent of the salable crop, have been used for cider, vinegar, other

GROWERS' INCOME DROPS AS APPLE SHIPMENTS INCREASE



In the 1935 apple marketing season the money income of consumers was approximately 24 percent below the 1924-29 average, and orange shipments were unusually large. Based on a study of terminal prices of apples since the 1921 season, it appears that under these conditions total grower income from apples is most likely to decrease as sales of apples for fresh consumption are increased.

purposes, or wasted. Since 1927 the per-capita consumption of fresh apples in the United States has been about 29 pounds (farm weight), a decrease of about 9 pounds per person, or 24 percent below the 1919-27 average.

Income of apple growers is derived chiefly from sales of apples for fresh consumption. The demand for fresh apples is closely related to the volume of fresh-apple shipments, competing commodities, especially oranges, and the level of consumer money income. An examination of changes in prices paid at terminal markets indicates that, after allowing for intermediate shipping and other selling charges, the effect of increased shipments in any one season is to decrease the prices paid to growers so much that in the aggregate they receive a smaller gross income than for somewhat reduced sales. In the 1935 season it appears that for sales of 1,000 bushels the United States apple grower received an average of approximately \$720. If each grower had marketed about 900 bushels for fresh shipment instead of 1,000 it is probable that his gross income would actually have been \$100 greater.

Storage Movement

In recent years an increasing quantity of apples has been stored for sale after December 1. The December 1, 1935, cold-storage holdings of over 33 million bushels were the largest on record except for the 1931 total, which exceeded 34 million bushels.

Profits from storage apples depend in part on the extent of the price rise as compared to the costs of storage. The increased volume of marketing during

the storage season from December to June, coinciding with the period in which approximately two-thirds of the orange crop is marketed, and with the prevailing level of consumer income, has resulted in unsatisfactory prices and returns for apples. The expected increase in commercial shipment of oranges, as well as other fruits, will result in greater competition for apples during the next few years.

Fresh apple exports of approximately 12 million bushels in the 1935 season were slightly higher than the 1919-34 average. Dried apple exports equivalent to about 5 million bushels were about the same as the 1930-34 average though substantially higher than the total in practically all of the other post-war years.

Trade Pacts Help

Most of the United States exports of apples were sold in Europe, where the effect of increased tariffs alone was to raise the average duty paid in the 1935 season to 60 cents per box, as compared to 12 cents per box in the 1928 season. Other trade barriers, including quota restrictions and limited foreign exchanges, have interfered with American exports.

Reciprocal trade agreements, such as those negotiated recently with France and Finland, represent the one important step to improve the export outlook for the apple industry.

Since most of the bearing trees in the United States have reached their maximum bearing capacity, it is anticipated that crops during the next few years will average approximately 155 million bushels annually, though growing and other

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BUTTER SUBSIDY PLANS IN FINLAND AND LATVIA

Recent Laws Provide for Bounties on Butter Exports and Restrictions on Imports of Fats

[This is the sixth of a series of articles on world trade in butter as it relates to butter production and marketing in the United States]

Finland and Latvia are among those foreign countries which in recent years have adopted programs for subsidizing exports of butter.

The provisions of a law enacted in Finland on December 21, 1932, provided for the granting of a bounty to exporters if the wholesale price of butter fell to 20 marks per kilogram or less. The bounty was originally fixed at 3 marks. A bounty, equal to the difference between the prevailing price and 23 marks, was paid if the price exceeded 20 marks but fell below 23 marks. Provision for a bounty of 2 marks per kilogram on cheese is also contained in the above laws. The full bounty is paid if the price is less than 11 marks, but if the price exceeds 11 marks and is less than 13 marks only the difference is paid. In the computation of the bounty the wholesale price of butter was based on the Copenhagen quotation for export butter with certain adjustments to allow for difference in the scale of Finnish and Danish prices. In the case of cheese the bounty was based on the quotation for cheese at Kempton. The bounty on butter ranged from 4.50 to 6.50 marks per kilogram during 1934.

Finland's Law Amended

This law was amended in January 1935, and the Government was given discretionary power to fix the rate of the bounty. In June 1935 the bounty was 6.50 marks on butter and 2.50 marks on cheese. An exception was made in the case of cheese exported to the United States, where no bounty appears to have been paid.

Further measures designed to aid the dairy industry in Finland were enacted in February 1934, and provided for the imposition of an import embargo on butter, margarine, lard, and fat. These measures were in effect, however, only for a short time, and were superseded by a new law in April 1934. This law conferred authority on the State Council to increase tariff rates on butter, margarine, lard, and raw fat up to four times the basic rate. Pursuant to this authority, the duties on these commodities were increased. In the case of butter the duty was raised from 5 to 12 marks per kilogram.

Additional legislation, providing for the imposition of excise taxes on margarine, margarine cheese, artificial fats, fat mixtures, and feedstuffs, was enacted in May 1934. In addition to the imposition of a heavy excise tax on fodder, the Government prohibited the importation of this commodity in July 1934. The margarine industry was originally permitted to operate without an excise tax on its product on condition that the industry would restrict production, but it appears

that a tax of 3 marks per kilogram was nevertheless placed on margarine in 1935.

Latvia's Butter Subsidy Plan

According to the provisions of a decree issued by the Latvian Government in August 1930, producers are paid a bounty on milk utilized in the production of butter for export. A law enacted in June 1932 provided further for the payment of guaranteed prices for the various grades of butter—2.50 lat per kilogram for first-grade butter and 2.40 lat per kilogram for second-grade butter. A bounty, equal to the difference between the guaranteed price and the world price, is paid to producers supplying milk to registered dairies if the world price falls below the guaranteed price. In the event the world price exceeds the guaranteed price, those receiving the higher price are required to contribute one-half of the excess to a special fund, which is used for the payment of bounties when the world price is below the guaranteed price. Bounty payments during 1934 were based on guaranteed prices of 2.25 lat per kilogram for first-grade butter, 2.15 lat per kilogram for second-grade butter, an average domestic price of 1.94 lat, and an average export price of 0.915 lat.

In order to facilitate the marketing of butter in the domestic and foreign markets, the Latvian Government set up a Butter Export Central in December 1934. In addition to controlling the marketing of butter, this organization was to facilitate the payments of bounties to producers and was to attempt to gain new markets. The operations of the Butter Export Central were to be facilitated by the extension of credits by the Bank of Latvia.

APPLE INDUSTRY

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conditions may be expected to cause the wide fluctuations characteristic of production in the past. It is anticipated that orange shipments, which are the most important competitor affecting apple prices, will very materially increase. Favorable growing conditions may result in crops in excess of 60 million boxes of oranges, or about 25 percent above the 1924-29 average.

Steps Industry May Take

In the latter part of the 1935 season the Federal Government made substantial purchases of storage apples in the principal producing areas. These apples were used for relief distribution. Comment received from growers and others indicates that these purchases for non-commercial distribution were of material assistance in a market which was becoming completely demoralized.

Price problems in the apple industry are the result of many factors, principally changes in the volume of apples for fresh shipment, the level of consumer income, and competing fruits. Of these, apple growers and shippers can affect only the quantity and quality of fruit entering into various commercial channels.

Frequently low-quality shipments from distant markets return less than the charges for packing, storage, transporta-

TOPEKA MILK AGREEMENT TENTATIVELY APPROVED

Document Which Provides For Marketing Program Sent to Area For Signature by Handlers

A marketing agreement for handlers of milk in the Topeka, Kans., marketing area has been tentatively approved by the Secretary of Agriculture and has been sent to the handlers for signature.

The tentatively approved agreement would provide for a milk-marketing program similar to that which has been in effect for more than a year and a half under a license for milk distributors in that area. Among the important provisions of the agreement are those which govern the classification of milk on a use basis, the establishment of minimum prices which handlers would pay producers for milk bought, and the operation of a market-wide pool for the equitable distribution of returns to producers. The program would continue to be administered by a market administrator.

Milk bought by handlers would be classified into two classes.

Handlers would pay producers not less than 49.25 cents per pound of butterfat contained in class 1 milk delivered at the handler's plant within the marketing area. For each pound of butterfat contained in class 2 milk, handlers would pay producers the average price per pound of 92-score butter at wholesale in the Chicago market as reported by the United States Department of Agriculture for the delivery period during which the milk was delivered, plus 5 cents.

Handlers would be required to bear their pro-rata share of the expenses of administering the marketing agreement program.

CELERY PACT WITHDRAWN

(Continued from p. 1)

members of the industry should decide that application of the Agricultural Adjustment Act might be helpful in solving marketing problems.

The celery agreement was given tentative approval December 3, 1935, and was submitted to members of the industry for their signatures. Failing the required number of signatures, the agreement never has gone into effect.

At a meeting of the Florida Central Celery Committee on May 26, 1936, it was decided to ask withdrawal of the agreement.

tion, and selling. Regulation of grades under Federal or State supervision, or both, or diversion of shipments into manufacturing outlets, new uses, or non-commercial channels can prove helpful to growers by reducing "red-ink" sales and increasing the income of growers from fresh shipments. In a particular season the income of growers is determined by the volume marketed, and, as noted previously, within certain limits the aggregate grower income from sales for fresh consumption tends to decrease as shipments are increased.